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DIRECTORATE OF INTELLIGENCE

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CAMBODIA: Political maneuvering is continuing in the capital, but the future of the present leadership has not been clarified.

A delegation of high-ranking army officers met with Prime Minister Lon Nol on 6 December to review command problems related to the disastrous Chenla II operation.

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This is the first time that army leaders have confronted Lon Nol directly on the question of his "interference" in the war effort. If Lon Nol continues to be intransigent, he could cause some of the military leaders who have been his staunchest supporters to close ranks with Sirik Matak. It is becoming increasingly clear that Sirik Matak is seeking such support and is determined to force Lon Nol to delegate more authority.

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With the scent of change in the air, the politically ambitious and the would-be power brokers are busy trying to take advantage of the situation.

Sirik Matak maneuvers against Lon Nol, an effort is also under way by Lon Nol's supporters to undermine Sirik Matak's position. Political figures such as Son Ngoc Thanh and In Tam are again being mentioned as potential successors to Lon Nol or Sirik Matak. Much of this is reminiscent of the intense political struggle last spring, and matters presumably will get worse, until some decisions are made at the top.

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INTERNATIONAL ECONOMIC DEVELOPMENTS: The EC Commission opens discussions today on pressing trade problems with President Nixon's special trade representative.

At the Group of Ten meeting last week, the Europeans accepted the US argument that trade issues must be an integral part of a settlement on parity realignment. Formal negotiations, however, require a mandate from the EC Council of Ministers. The Commission expects to limit today's meeting to an exploration of the issues and then to draft a report for the EC Council, which meets on Saturday.

Both France and West Germany now have a more flexible attitude toward the US insistence on short-term trade gains. The Community will probably meet, at least partly, US demands for EC stockpiling of some of its surplus grain, EC tax liberalization on tobacco, and improved treatment of US citrus exports. In return, the Community is likely to insist on the removal of the surcharge and the discriminatory features of the investment tax credit, as well as to seek US reciprocal concessions, possibly on European dairy products.

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